



**CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

**Community Foundation of Northwest Indiana, Inc. and
Subsidiaries
Years Ended June 30, 2011 and 2010
With Report of Independent Auditors**

Ernst & Young LLP

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Community Foundation of Northwest Indiana, Inc. and Subsidiaries

Consolidated Financial Statements and Other Financial Information

Years Ended June 30, 2011 and 2010

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Report of Independent Auditors

The Board of Directors
Community Foundation of Northwest Indiana, Inc.

We have audited the accompanying consolidated balance sheets of Community Foundation of Northwest Indiana, Inc. and Subsidiaries (CFNI) as of June 30, 2011 and 2010, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of CFNI's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of CFNI's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CFNI's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community Foundation of Northwest Indiana, Inc. and Subsidiaries at June 30, 2011 and 2010, and the consolidated results of its operations and changes in net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

October 19, 2011

Community Foundation of Northwest Indiana Obligated Group

Details of Combined Balance Sheet
(In Thousands)

June 30, 2011

Assets	Combined	Eliminations	Munster Medical Research Foundation, Inc. - The Community Hospital Inc.	Community Foundation of Northwest Indiana, Inc.	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.
Current assets:						
Cash and cash equivalents	\$ 38,060	\$ -	\$ 4,886	\$ 19,004	\$ 5,779	\$ 8,391
Patient accounts receivable, net	96,316	(2,213)	-	54,443	15,811	28,275
Due from affiliates	20	(20,066)	20,086	-	-	-
Estimated settlements due from third-party payors	702	-	-	-	-	-
Inventories	17,543	-	-	-	-	-
Prepaid expenses and other current assets	9,472	-	2,790	8,454	4,321	4,768
Total current assets	162,113	(22,279)	27,762	84,343	28,768	1,383
Assets limited as to use:						
Internally designated investments	256,888	-	256,290	598	-	-
Externally designated investments	29,115	-	29,115	-	-	-
Land, buildings, equipment, and construction-in-progress, net	359,678	-	82,162	161,419	26,100	89,997
Other assets	14,989	-	12,586	-	-	2,403
Investment in unconsolidated affiliates	4,104	-	4,038	-	-	66
Total assets	\$ 826,887	\$ (22,279)	\$ 411,953	\$ 246,360	\$ 54,868	\$ 135,985

Community Foundation of Northwest Indiana Obligated Group

Details of Combined Balance Sheet (continued)

Liabilities and net assets	Combined	Eliminations	Munster Community Foundation of Northwest Indiana, Inc.	Medical Research Foundation, Inc. – The Community Hospital	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.
Current liabilities:						
Accounts payable	\$ 26,267	\$ -	\$ 6,994	\$ 13,042	\$ 2,093	\$ 4,138
Accrued salaries, wages, and benefits	45,921	-	5,174	23,005	8,379	9,363
Accrued expenses	23,206	(2,213)	7,872	6,357	6,834	4,356
Estimated settlements due to third-party payors	4,461	-	-	3,895	566	-
Due to affiliates	-	(20,066)	-	8,378	3,769	7,919
Current portion of long-term debt	10,228	-	9,334	465	37	392
Total current liabilities	110,083	(22,279)	29,374	55,142	21,678	26,168
Noncurrent liabilities:						
Long-term debt, less current portion	290,681	-	290,274	-	55	352
Pension liability	67,739	-	-	67,739	-	-
Other long-term liabilities	1,081	-	-	432	601	48
Total noncurrent liabilities	359,501	-	290,274	68,171	656	400
Total liabilities	469,584	(22,279)	319,648	123,313	22,334	26,568
Net assets:						
Unrestricted	355,902	-	91,926	122,422	32,318	109,236
Temporarily restricted	1,299	-	379	523	216	181
Permanently restricted	102	-	-	102	-	-
Total net assets	357,303	-	92,305	123,047	32,534	109,417
Total liabilities and net assets	\$ 826,887	\$ (22,279)	\$ 411,953	\$ 246,360	\$ 54,868	\$ 135,985

Community Foundation of Northwest Indiana Obligated Group

**Details of Combined Statement of Operations and Changes in Net Assets
(In Thousands)**

Year Ended June 30, 2011

	Munster	Community Foundation of Northwest Indiana, Inc.	Medical Research Foundation, Inc. – The Community Hospital	St. Catherine Hospital, Inc.	St. Mary Medical Center, Inc.
Combined	Eliminations				
Revenue					
Net patient service revenue	\$ 737,348	\$ (6,193)	\$ 421,633	\$ 125,337	\$ 196,571
Capitation program revenue	31,156	—	—	31,156	—
Other revenue	16,902	(2,188)	3,226	11,139	3,258
Total operating revenue	785,406	(8,381)	3,226	432,772	159,751
Expense					
Salaries and wages	303,776	—	22,149	160,696	57,422
Employee benefits	80,867	—	2,767	47,234	15,073
Medical fees	5,089	—	—	1,681	2,612
Medical and other supplies	155,493	—	1,276	86,592	21,874
Corporate allocations	—	—	—	—	45,751
Outside services	72,154	(19)	(37,191)	56,717	21,656
Interest expense	15,394	—	8,811	726	1,942
Provision for uncollectible accounts	33,422	—	—	15,637	8,953
Depreciation and amortization	43,476	—	9,297	20,300	5,389
Loss on early termination of leases	1,830	—	1,830	—	8,490
Other expense	63,252	(8,362)	6,011	22,297	—
Total expense	774,753	(8,381)	14,950	411,880	167,254
Net operating income (loss)	10,653	—	(11,724)	20,892	(7,503)
Nonoperating					
Investment income and other	11,465	—	10,877	346	81
Gain on early extinguishment of debt	1,649	—	1,649	—	161
Net change in unrealized gains/losses on investments	7,474	—	7,487	(13)	—
Total nonoperating	20,588	—	20,013	333	81
Revenue in excess of (less than) expense	31,241	—	8,289	21,225	(7,422)

Community Foundation of Northwest Indiana Obligated Group

Details of Combined Statement of Operations and Changes in Net Assets (continued)

	<u>Munster Medical Research Foundation, Inc. – The Community Hospital</u>	<u>St. Catherine Hospital, Inc.</u>	<u>St. Mary Medical Center, Inc.</u>
<u>Combined</u>	<u>Eliminations</u>		
Unrestricted net assets			
Revenue in excess of (less than) expense	\$ 31,241	\$ 8,289	\$ 21,225
Other changes in unrestricted net assets:			
Pension-related changes other than net periodic pension cost	21,192	–	21,192
Net assets transferred (to) from affiliates	(728)	37,978	(42,501)
Net assets released from restriction used for capital purposes	157	–	–
Other	–	–	–
	51,862	46,267	(84)
			9,353
Temporarily restricted net assets			
Restricted contributions	974	142	521
Investment income	–	–	–
Net assets released from restriction used for capital and operating purposes	(807)	(152)	(377)
	167	(10)	144
			(128)
Increase (decrease) in temporarily restricted net assets			
Net assets at the beginning of the period	52,029	46,257	60
Net assets at the end of the period	305,276	46,048	(3,638)
	\$ 357,305	\$ 92,305	\$ 122,987
			36,174
			100,067
			\$ 32,536
			\$ 102,417